

Annual Report 1973

Anglo American  
Corporation  
of Canada Limited

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## DIRECTORS

IAN D. DAVIDSON, C.B.E.

*Director, Western Assurance Company*

A. M. DOULL

*Vice President, Anglo American Corporation of Canada Limited*

H. RONALD FRASER

*Chairman, Anglo American Corporation of Canada Limited*

M. B. HOFMEYR

*Managing Director, Charter Consolidated Limited,  
Executive Director, Anglo American Corporation of South Africa Limited*

R. H. JONES

*President and Chief Executive Officer,  
The Investors Group*

H. A. McKENZIE

*President, Hudson Bay Mining and Smelting Co., Limited*

W. A. MORRICE

*Director, Hudson Bay Mining and Smelting Co., Limited*

H. F. OPPENHEIMER

*Chairman, Anglo American Corporation of South Africa Limited,  
Director, Canadian Imperial Bank of Commerce*

G. W. H. RELLY

*Executive Director, Anglo American Corporation of South Africa Limited*

M. W. RUSH

*Director, Hudson Bay Mining and Smelting Co., Limited*

S. SPIRO

*Chairman, Charter Consolidated Limited,  
Executive Director, Anglo American Corporation of South Africa Limited*

J. D. TAYLOR, Q.C.

*President, Anglo American Corporation of Canada Limited*

## OFFICERS

H. RONALD FRASER, *Chairman*

J. DAVID TAYLOR, Q.C., *President*

A. M. DOULL, *Vice President*

T. P. SULLIVAN, C.A., *Secretary-Treasurer*

# Report of the Directors

Consolidated net income was \$23,033,000 in 1973, equal to \$2.54 per share, compared with \$2,855,000, or 33.9 cents per share for 1972. Included in the net income is \$8,539,000, or 94.3 cents per share, resulting from net gain on realization of investments and equity in recovery (writeoff) of investment by effectively controlled company (1972—(\$1,189,000) or (14.1¢) per share). The major contributing factors in the substantial improvement were our equity in record earnings of Hudson Bay Mining and Smelting Co., Limited, profits from the joint venture with Whitehorse Copper Mines Ltd. and net gains from the sale of a number of Amcan's major investments.

In line with current accounting practice, the equity method of accounting has been adopted for investments in effectively controlled companies and 1972 figures have been restated on the same basis for comparison.

The major investments sold were the Corporation's 33.3% interest in Great Northern Capital Corporation Limited and its 26.2% interest in The White Pass and Yukon Corporation Limited. The proceeds of these and other sales resulted in a substantial improvement in our working capital position.

Profit of \$1,300,000 accrued to Amcan through its 16⅔% interest in the Whitehorse Copper Mines Ltd. joint ven-

ture, in which Hudson Bay Mining also participates. Of this amount \$350,000 was applied as a reduction of Amcan's investment and \$950,000 was taken into income.

In 1973 Amcan acquired from associated companies a substantial investment in Western Decalta Petroleum Limited for a total cash consideration of \$30,000,000. This investment was sold on August 21, 1973 to Hudson Bay Mining and Smelting Co., Limited for \$7,500,000 cash and 900,000 of its common shares.

The net asset value of Amcan as at December 31, 1973, taking listed assets at their realizable or market value and unquoted assets at the lower of cost or Directors' valuation including the value of the underlying net assets of the 40% unquoted interest held in Francana Development Corporation Ltd., was \$140,981,000, equal to \$14.20 per share, compared with \$93,199,000, equal to \$11.06 per share, in 1972 on a lesser number of shares.

During the year Amcan obtained Supplementary Letters Patent authorizing an increase in its authorized capital stock from 10,000,000 common shares without nominal or par value to 15,000,000 shares (now designated as Class 'A' convertible common), and authorizing a further increase in its capital stock by the creation of 15,000,000 Class 'B' convertible common shares without nominal

or par value. Under a rights issue Amcan issued 1,500,000 common shares (later designated as Class 'A') for a cash consideration of \$15,000,000.

Dividend payments for the year were increased to 40 cents per share (of which 22.5 cents was paid on the additional shares) totalling \$3,709,000 compared with \$2,529,000, or 30 cents per share, in 1972.

#### **HUDSON BAY MINING AND SMELTING CO., LIMITED**

Amcan's major asset continued to be its investment in Hudson Bay Mining in which it now has a direct 34.7% interest. Earnings, before extraordinary items and after giving effect to the inclusion of the equity in the income of Western Decalta (less amortization of the excess of the cost of this investment over underlying equity), were a record \$44,590,000, or \$4.77 per share, compared with \$11,379,000, or \$1.26 per share, in 1972. Net earnings, after recovery of a portion of the loss on the Wellgreen Mine, were \$47,294,000, or \$5.06 per share. Net earnings for 1972 were \$2,861,000, or 32 cents per share, and were adversely affected by the impact on costs of the 1971 wage settlement, relatively weak copper prices and an extraordinary write-off of \$8,518,000 to reflect the anticipated loss on the Wellgreen Mine in the Yukon. The substantial increase in profits for 1973 was due primarily to the higher prices for the company's

principal products: copper, zinc, gold, silver and potash. Hudson Bay Mining paid dividends of \$2 per share for 1973 compared with 80 cents per share in 1972.

Proven reserves of ore at the various mines of Hudson Bay Mining in the Flin Flon—Snow Lake area at December 31, 1973 totalled 18,000,600 tons, assaying 3.11% copper, 2.9% zinc, 0.52 oz. per ton silver and 0.034 oz. per ton gold. Ore reserves at year end 1972 totalled 17,283,600 tons.

The programs implemented in 1972 continued to reflect improvements in operations and reduced manpower requirements in many areas. Overall production of blister copper was increased by 2%, although production of Hudson Bay blister decreased by 9%. The decrease was more than offset by a 39% increase in purchased concentrates. Total zinc production was increased by 8% compared with production in 1972. Of this increase, 3% was from the company's own ores and 5% from purchased concentrates.

The Sylvite of Canada division of Hudson Bay Mining had a very successful year shipping 897,000 tons of muriate of potash, compared with 497,000 tons in 1972. In order to meet sales commitments, the refinery operated at 73% of its rated capacity of 1.2 million tons annually, compared with 42% the previous year, and produced 874,000 tons of muriate of potash. The price for potash

remained at the floor price set by the Saskatchewan Government of \$21 per ton from January 1 to September 1, then rose to \$24 and at the year end was \$25.50 per ton. Proven reserves totalled 364 million tons, compared with 311 million tons at the end of 1972.

Hudson Bay Mining acquired an equity interest of approximately 10% in Canadian Merrill Ltd., a Canadian oil and gas company. It also purchased a secured \$4 million 15 year 6½% convertible income debenture, which if fully converted would increase Hudson Bay Mining's equity in Canadian Merrill to approximately 30%.

#### **FRANCANA OIL & GAS LTD.**

Amcan has a substantial indirect interest in the affairs of Francana Oil & Gas Ltd. through Amcan's direct 34.7% shareholding in Hudson Bay Mining and its 40% interest in Francana Development Corporation Ltd. Of the share capital, 54.6% is held by Hudson Bay Mining and 32.7% by Francana Development.

Sales of crude oil in 1973 by Francana Oil & Gas Ltd. amounted to 1,143,000 barrels, compared with 1,204,000 barrels the previous year. The 5% decrease was due, in part, to the temporary curtailment of demand for Saskatchewan sour medium-gravity crude oil during the latter part of the year. Natural gas sales increased to 2.734 billion cubic feet from 2.259 billion cubic feet in

1972. Proven reserves of natural gas totalled 89.4 billion cubic feet at December 31, 1973 and proven reserves of crude oil 14,400,000 barrels.

Francana participated in a 22-well drilling program which resulted in 9 oil wells and 4 gas wells. Indirect participation by way of farmouts involved the drilling of an additional 26 wells which yielded one oil well and 10 gas wells.

Trend Exploration Limited, in which Francana's equity interest increased during the year from 22% to 30%, recorded important exploration successes, particularly in Indonesia and Canada. In Indonesia, Trend added 3 reef discoveries to the one reported in 1972 and production was started in September at an initial rate of 40,000 barrels per day. In Alberta, Trend drilled 3 extension wells to the Carson Creek oil field and established reserves at Acheson and Bon Accord.

#### **FRANCANA DEVELOPMENT CORPORATION LTD.**

Consolidated net income of Francana Development Corporation Ltd., in which Amcan has a 40% interest, increased in 1973 to \$2,850,000 compared with \$781,000 the previous year. The improved earnings resulted from increased dividends from Hudson Bay Mining and a major extraordinary gain from the sale of Francana Development's 5% shareholding in Trend Exploration Limited.

Net value of assets at end of 1973, taking listed assets at market value and unquoted assets at cost, was \$41,788,000 compared with \$38,900,000 a year earlier. The holding in Hudson Bay Mining remained the major asset of Francana Development which also holds a 32.7% interest in Francana Oil & Gas, investments in the trucking industry and in several venture capital situations.

#### **WHITEHORSE COPPER MINES LTD.**

Production at the Yukon property of Whitehorse Copper Mines Ltd., in which both Amcan and Hudson Bay Mining have substantial investment, was satisfactory during the year. A total of 700,054 short dry tons were milled and produced 21,563,064 lbs. copper, 13,888 ozs. gold and 250,627 ozs. silver. At the year end the undiluted underground ore reserves at the Little and Middle Chief deposits totalled 3,182,388 short dry tons containing 2.45% copper. These figures show very little change from the undiluted underground reserves at the end of 1972.

Exploration on the Whitehorse property outside of the mine area continued but failed to reveal any economic mineralization.

#### **TOMBILL MINES LIMITED**

At the end of 1973 Amcan held a 49.6% interest in the outstanding share capital of Tombill Mines Limited.

The major asset of Tombill Mines remains its holding of 154,500 shares of Hudson Bay Mining, and it also owns 40% of the share capital of Francana Minerals Ltd., a producer of sodium sulphate.

Tombill continued to participate to the extent of 10% in Amcan's interest in the joint prospecting agreement with Hudson Bay Mining covering all of Canada except the provinces of Saskatchewan and Manitoba. In addition, Tombill carried out geophysical and geochemical surveys on a block of 31 contiguous claims in western Ontario. A number of targets, primarily of interest for possible gold mineralization, were identified on the block of claims and will be tested by diamond drilling during 1974.

#### **PROSPECTING**

The joint prospecting program with Hudson Bay Mining continued with exploration in the Yukon and Northwest Territories and in the provinces of British Columbia, Ontario and Quebec. A large number of geophysical anomalies were tested by diamond drilling in Ontario and Quebec, and several base metal occurrences were sampled in British Columbia and in the Yukon Territory. No economic deposits were found.

During December, agreement was reached with Barringer Research Limited to develop and commercially exploit

through a joint company, Minsearch Surveys Limited, a new invention by Barringer called AIRTRACE. This airborne survey device has been tested in several countries and is designed to measure organo-metallic particulate material in the atmosphere. An AIRTRACE device will be installed in an aircraft during 1974 and, when operational, the system will be offered to customers for contract survey work around the world.

#### **VENTURE CAPITAL INTERESTS**

Sterisystems Ltd., a company primarily engaged in the hospital television rental business, in which Amcan has a 10.5% interest, acquired during the year all the outstanding shares of Webber Pharmaceutical Limited, Canada's leading manufacturer of Vitamin E from natural resources, and had a very successful year with earnings improving to \$804,000 compared with \$451,000 in the year 1972.

PolyCom Systems Limited, a company providing computer time-sharing facilities, in which a 19.3% interest is held by Amcan, went through a year of restructuring its services and encountered an extraordinary expense relating to a special writeoff of a lease commitment on an unused equipment facility which resulted in a net loss of \$469,000 compared with a profit of \$116,000 a year earlier. Indications are that in 1974 PolyCom will be operating on a profitable basis.

A small independent oil and gas company, Consumers Oil Limited, in which a 23.0% interest is held, made good progress during the year.

#### **DIRECTORS**

It is with deep regret that we report the sudden death of Mr. Gerald James Risby in Johannesburg, South Africa, on March 20th, 1974. He joined Amcan in 1967 as Vice President and became a Director in 1971. His ability and energy were major contributing factors to the success of the Amcan group of companies. Mr. A. M. Doull, Vice President, was elected a Director on May 10th, 1974 as his replacement.

On January 1, 1974, Mr. H. Ronald Fraser, President of Amcan, was appointed Chairman in place of Mr. Gavin W. H. Relly and relinquished his position as President. On the same date Mr. J. David Taylor, Q.C., was appointed President.

On behalf of the Board of Directors.

H. RONALD FRASER,  
*Chairman*

J. DAVID TAYLOR, Q.C.,  
*President*

May 10th, 1974.

# Consolidated statement of income and retained earnings for the year ended December 31, 1973

(with 1972 figures for comparison)

ANGLO AMERICAN CORPORATION OF CANADA LIMITED AND ITS WHOLLY-OWNED SUBSIDIARY COMPANIES

	1973	1972
<b>Income :</b>		
Dividends .. .. .	\$ 659,806	\$ 686,571
Interest .. .. .	4,426,413	1,796,642
Profit on trading securities (Note 8) .. .. .	355,139	1,138,059
Profit on sale of copper concentrates .. .. .	365,592	—
Equity in income of effectively controlled companies, less amount written off:		
1973—\$1,084,934; 1972—Nil (Note 2) .. .. .	13,685,295	3,593,045
Joint venture .. .. .	950,000	—
Miscellaneous .. .. .	61,656	37,509
Total income .. .. .	20,503,901	7,251,826
<b>Expenses :</b>		
Prospecting and exploration (Note 5) .. .. .	685,384	580,079
Interest:		
Affiliated companies .. .. .	891,380	387,637
Other .. .. .	3,041,855	1,486,135
Other operating expenses, less recoveries, 1973—\$343,392; 1972—\$260,582 .. .. .	784,080	699,576
Net expenses .. .. .	5,402,699	3,153,427
Income before taxes and gain on realization less provision for loss on investments .. .. .	15,101,202	4,098,399
Provision for taxes (Note 9) .. .. .	1,027,463	603,637
Income before gain on realization less provision for loss on investments .. .. .	14,073,739	3,494,762
Gain on realization of investments—including equity in gain by effectively controlled company, (1973—\$795,265; 1972—Nil) less provision for loss on investments (1973— \$1,647,932; 1972—\$1,056,617) net of tax \$398,067 .. .. .	7,637,984	1,402,248
Income before extraordinary items .. .. .	21,711,723	4,897,010
Equity in recovery (write-off) of investment by effectively controlled company .. .. .	901,096	(2,590,914)
Tax reductions on application of prior year losses .. .. .	420,293	548,900
Net income .. .. .	23,033,112	2,854,996
Retained earnings at beginning of the year:	2.54	0.339
As previously reported .. .. .	10,826,780	9,342,481
Add adjustment of prior years' income to conform with the equity method of accounting (Note 2) .. .. .	11,732,033	12,902,439
As restated .. .. .	22,558,813	22,244,920
	45,591,925	25,099,916
<b>Less :</b>		
Dividends paid .. .. .	3,709,318	2,528,864
Refundable taxes not yet recoverable (Note 10) .. .. .	813,312	12,239
	4,522,630	2,541,103
Retained earnings at end of the year .. .. .	\$41,069,295	\$22,558,813

The accompanying notes are an integral part of the financial statements.

# Consolidated balance sheet as at December 31, 1973

(with 1972 figures for comparison)

ANGLO AMERICAN CORPORATION OF CANADA LIMITED (Incorporated under the Canada Corporations Act)  
AND ITS WHOLLY-OWNED SUBSIDIARY COMPANIES

## ASSETS

	1973	1972
<b>Current assets:</b>		
Cash .. .. .	\$ 31,821	\$ 314,105
Accrued interest and dividends receivable .. .. .	4,934,946	1,170,347
Accounts receivable .. .. .	5,282,242	1,072,872
Notes and deposits:		
Affiliated companies .. .. .	2,386,775	—
Chartered banks, term deposits:		
U.S. (1973—U.S. \$4,000,000; 1972—U.S. \$1,467,577) .. .. .	3,983,200	1,461,156
Canadian .. .. .	18,905,844	—
Financial institutions:		
Canadian notes receivable .. .. .	40,107,139	17,783,938
U.S. notes receivable (1972—U.S. \$7,068,000) .. .. .	—	7,037,077
Loans receivable—largely due from brokers .. .. .	5,646,597	1,997,760
Trading securities—at the lower of cost or market value (market value, 1973—\$4,714,823; 1972—\$5,383,810) (Note 3) .. .. .	4,569,823	4,931,209
Total current assets .. .. .	85,848,387	35,768,464
<b>Advance</b> (less amounts written off against joint venture income, 1973—\$350,000; 1972—Nil) <b>and equity in undistributed income of joint venture</b> .. .. .	1,900,000	950,000
<b>Investments in effectively controlled and other companies</b> (Note 2) .. .. .	122,026,884	120,823,840
<b>Mortgages receivable</b> —less current portion, 1973—\$22,623; 1972—\$12,261—repayable at various dates up to July 2001 .. .. .	470,340	222,314
<b>Fixed assets</b> (Note 4) .. .. .	340,096	409,998
<b>Excess of cost of subsidiary over the net book value of its assets</b> .. .. .	2,641	—
<b>TOTAL</b> .. .. .	<u>\$210,588,348</u>	<u>\$158,174,616</u>

The accompanying notes are an integral part of the financial statements.

# **LIABILITIES AND SHAREHOLDERS' EQUITY**

	1973	1972
<b>Current liabilities:</b>		
Accounts payable and accrued charges .. .. .	\$ 922,714	\$ 1,084,778
Accrued interest payable .. .. .	368,834	419,027
Loans and deposits:		
Chartered bank (Note 6) .. .. .	1,804,000	—
Affiliated companies .. .. .	10,240,477	7,468,795
Other:		
Canadian loans .. .. .	35,976,231	17,652,227
U.S. loans (1973—U.S. \$4,006,344; 1972—U.S. \$7,897,132) .. .. .	3,989,544	7,862,581
Income debentures (Note 6) .. .. .	13,500,000	7,000,000
Taxes payable .. .. .	1,631,803	42,945
Total current liabilities .. .. .	68,433,603	41,530,353
Income debentures .. .. .	—	8,000,000
<b>Shareholders' equity:</b>		
Capital stock (Note 7):		
Authorized:		
15,000,000 Class "A" convertible common shares without nominal or par value		
15,000,000 Class "B" convertible common shares without nominal or par value		
Issued and fully paid:		
8,429,545 common shares .. .. .	—	86,085,450
6,319,614 Class "A" shares .. .. .	64,335,377	—
3,609,931 Class "B" shares .. .. .	36,750,073	—
	101,085,450	86,085,450
Retained earnings .. .. .	41,069,295	22,558,813
Total shareholders' equity .. .. .	142,154,745	108,644,263
Approved by the Board:		
H. R. Fraser, <i>Director</i>		
Ian D. Davidson, <i>Director</i>		
TOTAL .. .. .	\$210,588,348	\$158,174,616

# Consolidated statement of source and application of funds for the year ended December 31, 1973

(with 1972 figures for comparison)

ANGLO AMERICAN CORPORATION OF CANADA LIMITED AND ITS WHOLLY-OWNED SUBSIDIARY COMPANIES

	1973	1972
<b>Source of funds:</b>		
Net income for the year .. .. .	\$23,033,112	\$ 2,854,996
Add (deduct):		
Provision for loss on investments:		
Quoted .. .. .	254,613	—
Unquoted .. .. .	1,393,319	1,056,617
Depreciation, amortization and amounts written off furniture and office equipment ..	25,995	32,093
Quoted investments—gain on realization .. .. .	(7,416,170)	(2,378,659)
Funds provided from operations .. .. .	17,290,869	1,565,047
Investments realized .. .. .	39,687,977	5,406,429
Fixed assets realized .. .. .	105,132	—
Reduction in mortgages receivable .. .. .	108,474	156,849
Silver bullion sold .. .. .	—	904,040
Income debentures issued .. .. .	—	8,000,000
Capital stock issued for cash .. .. .	15,000,000	—
Total funds provided .. .. .	72,192,452	16,032,365
<b>Application of funds:</b>		
Increase in investment in effectively controlled companies and joint venture .. .. .	32,993,610	732,896
Investments acquired:		
Quoted .. .. .	2,339,874	8,044,367
Unquoted .. .. .	759,299	1,425,000
Acquisition of Anmercosa Canadian Exploration Limited (net of working capital acquired —\$81,690) .. .. .	(17,359)	—
Mortgage advances .. .. .	356,500	211,193
Joint venture advance .. .. .	—	950,000
Refundable taxes not yet recoverable .. .. .	813,312	12,239
Dividends paid .. .. .	3,709,318	2,528,864
Income debentures transferred to current liabilities .. .. .	8,000,000	—
Fixed assets purchased .. .. .	61,225	44,962
Total funds applied .. .. .	49,015,779	13,949,521
<b>Increase in working capital for the year .. .. .</b>	<b>23,176,673</b>	<b>2,082,844</b>
<b>Working capital deficiency at beginning of the year .. .. .</b>	<b>5,761,889</b>	<b>7,844,733</b>
<b>Working capital (deficiency) at end of the year .. .. .</b>	<b>\$17,414,784</b>	<b>\$(5,761,889)</b>

The accompanying notes are an integral part of the financial statements.

# Notes to the consolidated financial statements

## December 31, 1973

ANGLO AMERICAN CORPORATION OF CANADA LIMITED AND ITS WHOLLY-OWNED SUBSIDIARY COMPANIES

### 1. Principles of Consolidation

In the accompanying consolidated financial statements, the accounts of Anglo American Corporation of Canada Limited (Amcan) have been consolidated with those of its subsidiary companies, all of which are wholly-owned:

Anglo American Corporation of Canada Exploration Limited  
 Anmercosa Canadian Exploration Limited—acquired December 14, 1973  
 Anmercosa Finance Limited  
 Anmercosa Holdings Limited  
 Anmercosa Investments Limited  
 Anmercosa Securities Limited  
 Anmercosa Ventures Limited

On March 26, 1973, the Board of Directors of Anmercosa Securities Limited resolved to place the company in voluntary liquidation. The results of this company have been included in the financial statements to the date of liquidation.

In addition the company follows the equity method of accounting for its interest in certain investments as more fully explained in Note 2.

### 2. Investments in Effectively Controlled and Other Companies

At cost:	1973	1972
Quoted (market value, 1973 — \$4,262,557; 1972—\$29,176,684) less accumulated amounts written off 1973 — \$254,613; 1972 — nil) . . . . \$	3,669,070	\$ 33,761,697
Unquoted — less accumulated amounts written off, 1973 — \$3,421,574; 1972 — \$2,151,005 . . . .	6,892,888	7,640,827
At equity value:		
Investment in effectively controlled companies at cost plus equity in undistributed income:		
Quoted (market value, 1973 — \$92,837,710; 1972 — \$52,563,499) . . . .	102,798,389	71,734,620
Unquoted . . . .	8,666,537	7,686,696
	<u>\$122,026,884</u>	<u>\$120,823,840</u>

In prior years investments in all companies were accounted for on the cost basis. Commencing January 1,

1973 Amcan adopted the equity method of accounting for investments in effectively controlled companies. Under this method Amcan records as income its share of the income or losses of these companies. This change has resulted in increased net income of: 1973 — \$15,381,656 (\$1.70 per share); 1972 — \$1,002,131 (11.9¢ per share).

The direct and indirect investments in effectively controlled companies at December 31, 1973 are comprised of:

	% of Ownership	Underlying Equity in Net Assets
Hudson Bay Mining & Smelting Co., Limited (Hudbay) . . . .	37.35	\$ 72,688,546
Francana Development Corporation Ltd. . .	40.00	7,067,842
Tombill Mines Limited	49.57	2,005,544

The amount of \$32,954,566, by which the carrying value of the investment in Hudbay exceeded the underlying equity in net assets as at December 31, 1973 is being amortized on a straight-line basis over the 30 year period commencing January 1, 1973.

### 3. Market Value

Market values of trading securities and quoted investments are based on closing bid prices on December 31, 1973. In the case of large shareholdings, such prices do not necessarily represent the realizable value of the companies' holdings which may be more or less than the indicated market value.

Bid prices in foreign currencies have been converted to Canadian funds at the rates of exchange prevailing at December 31, 1973.

### 4. Fixed Assets

Fixed assets are comprised of the following:

Land and buildings—at cost, less accumulated depreciation of \$51,131	\$147,146
Leasehold improvements—at cost, less accumulated amortization of \$43,806 . . . . .	190,257
Automobile—at cost, less accumulated depreciation of \$2,779 . . . . .	2,692
Furniture and office equipment—at cost, less amount written off of \$242,686 . . . . .	1
	<u>\$340,096</u>

### 5. Interests in Mining Investigations

The policy of the company was to provide in full against prospecting and exploration expenditures made in respect of interests in mining investigations, because the ultimate realizable value of these interests was not

determinable. Accordingly, in prior years an appropriation was made from the retained earnings account sufficient in amount to reduce interests in mining investigations to a nominal value of \$1, even though further work was continuing. In 1973, the company adopted the practice of charging the amount expended on these interests to income for the year. Accordingly, the 1972 figures, presented for comparative purposes only, have been restated to conform with this presentation. This change has resulted in decreased net income of 1973—\$685,384; 1972—\$580,079. If an interest is proven up, sold or a participation therein is granted, the resulting recovery of value will be treated as a credit to income.

## 6. Loans, Debentures and Guarantees

Certain quoted investments have been lodged with banks as collateral security for the following:

- (a) Bank lines of credit of \$10,000,000, which were utilized to the extent of \$1,804,000 as at December 31, 1973.
- (b) The income debentures, which bear interest at various rates from 3.75% to 5% per annum.

## 7. Capital Stock

During the year, the company obtained supplementary letters patent authorizing:

- (a) an increase in the authorized capital stock from 10,000,000 common shares without nominal or par value to 15,000,000 shares; these shares are now designated as Class "A" convertible common shares without nominal or par value;
- (b) a further increase in the authorized capital stock by the creation of 15,000,000 Class "B" convertible common shares without nominal or par value.

Under a rights issue, the company issued 1,500,000 of the then common shares (later designated as Class "A") for a cash consideration of \$15,000,000.

Up to December 31, 1973, the holders of 3,609,931 Class "A" shares had converted their shares into a similar number of Class "B" shares.

The shares of both classes are fully-voting, full equity shares, convertible into each other on a one-for-one basis, and rank equally with respect to dividends and in all other respects. The only distinction between the two classes of shares is that the directors may, in declaring a dividend on the Class "B" shares, specify that the dividend shall be paid out of 1971 capital surplus on which no tax would be levied against either the company or the shareholder or out of tax-paid undistributed surplus on hand, in which case the company pays a tax of 15% and the shareholder receives the balance of 85% which is not subject to any further income tax in his hands, though the valuation base for capital gains tax purposes for the Class "B" shareholders will be decreased by the amount received by them.

## 8. Profit (Loss) on Trading Securities

The practice of the Amcan group is to value trading securities at the lower of cost or market on an indi-

vidual basis, and to show realized profits or losses on such securities net of the increase or decrease in provision for unrealized losses: 1973—increase—\$451,400; 1972—decrease—\$602,519.

## 9. Income Taxes

A substantial portion of the income is not subject to income tax, except as explained in Note 10 below, since it is comprised of dividends and interest on income bonds from tax-paying Canadian companies and income from effectively controlled companies.

Accumulated deferred exploration expenditures of approximately \$3,990,000 are available for application against certain taxable income of future years; in addition, losses for tax purposes totalling approximately \$2,619,000, available for application against taxable income of future years, expire as follows:

1975	..	..	..	..	..	..	..	\$1,386,000
1976	..	..	..	..	..	..	..	\$ 812,000
1977	..	..	..	..	..	..	..	\$ 159,000
1978	..	..	..	..	..	..	..	\$ 262,000

## 10. Refundable Taxes

Under the Income Tax Act, Amcan and its subsidiary companies are classified as private corporations and therefore taxes payable relative to investment and dividend income, are potentially refundable and hence not deducted in computing net income for the year. Refunds of these taxes can be obtained at the rate of \$1 for each \$3 of taxable dividends subsequently paid. Should the companies cease to be classified as private corporations the entitlement to refund would be lost. As at December 31, 1973, the amount of such taxes was \$825,551.

## 11. Conversion of U.S. Dollar Accounts

U.S. dollar accounts in these financial statements have been converted to Canadian dollars as follows:

Current assets and current liabilities—at the year-end rate of exchange.

Unquoted investments—at the rate of exchange prevailing at the date of purchase.

Income and expenses—at the rates of exchange prevailing at the dates of settlement.

## 12. Long-term Lease Commitment

Under long-term lease agreements, there is a commitment to pay net annual rentals of approximately \$161,000 until 1992.

## 13. Commitment—Agnew Lake Mines Limited

Amcan has agreed to guarantee 20% of any bank loan to Agnew Lake Mines Limited, if such loan were guaranteed as to 80% thereof by Kerr Addison Mines Limited. No such guarantees are presently contemplated. The Agnew Lake property has been placed on a care and maintenance basis because of prevailing low uranium prices. To date, Agnew Lake's financing has been provided through the sale of units consisting of 7% debentures and common shares, \$3,000,000 of these units having been acquired prior to December

31, 1971 by companies in the group. The maximum amount for which Amcan may become liable under the guarantee is \$3,600,000; this figure to be reduced by the cost of any further units purchased. Payment of interest on the debentures has been deferred for three years from January 1, 1971. As a result, interest accruing on these debentures in the amount of \$210,000 per annum has not been taken into income. The total such interest not taken up to December 31, 1973 amounts to \$630,000 (1972—\$420,000). In addition Amcan has provided an accumulation of \$1,200,000 (1972—\$600,000) against possible diminution in value of this investment.

#### 14. Remuneration of Directors and Officers

Remuneration of Amcan's directors and officers for 1973 was as follows:

- (a) Twelve directors received aggregate remuneration, as directors, of \$8,600.
- (b) Eight officers, four of whom are also directors, received aggregate remuneration, as officers, of \$246,264.

Certain of the directors and officers are also directors and/or officers of the subsidiary companies, but received no remuneration in those capacities.

#### 15. Earnings Per Share

	1973	1972
Before extraordinary items (1972 as restated) . . . .	\$2.40	58.1¢
After extraordinary items (1972 as restated) . . . .	\$2.54	33.9¢

The number of shares outstanding each year is calculated on the weighted monthly average, which average was 9,054,545 in 1973 and 8,429,545 in 1972.

#### 16. Comparative Figures

Certain 1972 figures in the financial statements have been reclassified to conform to the 1973 presentation.

#### 17. Subsequent Event

During the year, Amcan caused a subsidiary to purchase from an associated company, 3,104,512 fully paid shares of Western Decalta Petroleum Limited (Decalta) and a 7% redeemable sinking fund debenture of Decalta, in the principal amount of \$5,000,000 for a total cash consideration of \$30,000,000. As a result of an agreement with Hudson Bay Mining and Smelting Co., Limited (Hudbay) dated August 21, 1973, Amcan then caused the subsidiary to sell all of the Decalta shares and income debentures so acquired to Hudbay for a consideration of \$7,500,000 cash and \$22,500,000 by the allotment and issue to Amcan of 900,000 fully paid and non-assessable common shares of Hudbay. The agreement with Hudbay was conditional upon ratification by the Hudbay shareholders and therefore as at December 31, 1973, the 900,000 common shares of Hudbay and related dividends were held in escrow pending such ratification.

Subsequent to December 31, 1973, the Hudbay shareholders ratified the purchase agreement. Consequently, the effect of this ratification has been retroactively recognized in the accompanying financial statements by:

- (a) reflecting the 900,000 shares of Hudbay as an investment.
- (b) accounting for the increased investment of 900,000 shares in Hudbay on the equity method from August 21, 1973 to December 31, 1973, less the effect of the related dividends previously held in escrow.

## Auditors' Report

To the Shareholders of  
Anglo American Corporation of Canada Limited:

We have examined the consolidated balance sheet of Anglo American Corporation of Canada Limited and its wholly-owned subsidiaries as at December 31, 1973 and the consolidated statements of income and retained earnings and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances. We did not examine the financial statements of Tombill Mines Limited, Francana Development Corporation Ltd. and the joint venture which are reflected in the accompanying financial statements using the equity method of accounting. These financial statements, which we did not examine were reported upon by other auditors and our opinion, insofar as it relates to the amounts included for such joint venture and companies, is based solely upon the reports of the other auditors.

In our opinion, based upon our examination and the reports of other auditors, these consolidated financial statements present fairly the financial position of the companies as at December 31, 1973 and the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied, after giving retroactive effect to the change to the equity method of accounting for the investments in the effectively controlled companies referred to in Note 1 to the financial statements and after giving retroactive effect to the change in method of accounting for interests in mining investigations referred to in Note 5 to the financial statements, on a basis consistent with that of the preceding year.

TORONTO, ONTARIO,  
May 1, 1974.

DELOITTE, HASKINS & SELLS  
*Chartered Accountants.*









